

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 OPIC-03 AID-05 IGA-02 EB-08 COM-02
TRSY-02 FEAE-00 SS-15 SP-02 L-03 H-01 NSC-05
CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 USIA-06
PRS-01 INT-05 OMB-01 XMB-02 /082 W
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R 312102Z MAR 77
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 3737
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2120

E.O. 11652: GDS
TAGS: EINV, ENRG, PFOR, EC
SUBJECT: GULF-GOE NEGOTIATIONS

1. BEGIN SUMMARY. MINISTRY OF FINANCE IS READY TO SIGN AGREEMENT BETWEEN GULF AND THE GOE ALTHOUGH CALCULATIONS ON OVERRETENTIONS HAVE NOT BEEN COMPLETED; BUT THE NATURAL RESOURCES MINISTRY IS TELLING GULF THAT DETERMINATION OF THE STOCKS ON HAND AT THE TIME OF THE LOADING OF THE "RUTH" IS AN INTEGRAL PART OF SETTLEMENT OF DECREE 285, AND THAT THE MINISTRY WILL NOT SIGN THE GULF-GOE BUY-OUT AGREEMENT (CONVENIO) UNTIL THAT INVENTORY IS COMPLETED--WHICH GULF SAYS WILL BE WEEKS OR MONTHS FROM NOW. SEMBLANTES HAS TOLD GULF THAT THERE ARE CERTAIN PARTS OF THE CONVENIO THAT THE MINISTRY CANNOT ACCEPT UNLESS THEY ARE REVISED OR ELIMINATED--PRINCIPALLY, THE QUIT CLAIM. GULF TOLD SEMBLANTES REVISION OF THE CONVENIO IS OUT OF THE QUESTION. GULF HAS ASKED THE EMBASSY NOT TO TAKE ANY ACTION UNTIL THE SITUATION IS CLARIFIED IN DISCUSSIONS WITH NATURAL RESOURCES SUBSECRETARY PARODI.
END SUMMARY.

2. LOCAL GULF MANAGER JACK O'BRIEN REPORTED TO EMBASSY
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MARCH 31 HE HAD SPOKEN TO FINANCE SUBSECRETARY BARBA
MARCH 30 (MINISTER SEVILLA WAS UNAVAILABLE) WHO INFORMED HIM THAT THE FINANCE MINISTRY WAS PREPARED TO SIGN THE CONVENIO IMMEDIATELY, ALTHOUGH THE CENTRAL BANK'S CALCULATIONS OF OVER - AND UNDERRETENTIONS WOULD REQUIRE AT LEAST ANOTHER WEEK. O'BRIEN OPINED THAT PRELIMINARY CALCULATIONS MUST HAVE INDICATED THE GOE OWES GULF MORE

FOR OVERRETENTIONS OF INCOME TAXES THAN GULF OWES THE GOE FOR UNDERRETENTIONS OF ROYALTIES, AND THAT IT MUST BE FOR THIS REASON THAT SEVILLA IS NOW WILLING TO DEFER SETTLING THESE TWO MATTERS UNTIL AFTER THE CONVENIO IS SIGNED.

3. O'BRIEN CALLED NATRES SUBSECRETARY PARODI IMMEDIATELY TO INFORM HIM THAT GULF "IN A SPIRIT OF COOPERATION" WAS READY TO SETTLE DECREE 285 IMMEDIATELY BY TRANSFERRING 846,000 BARRELS TO CEPE AT A PRICE OF 82.6 U.S. CENTS PER BARREL. PARODI TOLD GULF DETERMINATION OF THE STOCKS THAT WERE ON HAND AT THE TIME OF THE LOADING OF THE TANKER "RUTH" IS AN INTEGRAL PART OF SETTLEMENT OF DECREE 285, AND NATRES MINISTRY WOULD BE UNABLE TO SIGN THE CONVENIO UNTIL THOSE STOCKS HAD BEEN DETERMINED. O'BRIEN SAID HE RESPONDED THAT GULF WAS NOT RESPONSIBLE FOR CEPE'S SALES TO THE BROKER MARC RICH, FOR THE "RUTH" SHIPMENT, AND MARC RICH HAD ASKED OF GULF ONLY A LETTER DIFINITIVELY WITHDRAWING THE SUIT.

4. NATRES MINISTER SEMBLANTES CALLED IN O'BRIEN MORNING OF MARCH 31 AND SAID HE (SEMBLANTES) WOULD NOT BE INVOLVED DIRECTLY IN GULF-GOE NEGOTIATIONS RE DECREE 285, AND THAT PARODI WOULD BE THE NEGOTIATOR. SEMBLANTES ADDED THERE ARE CERTAIN CLAUSES OF THE CONVENIO THAT THE MINISTRY CANNOT ACCEPT, PRINCIPALLY THE QUITCLAIM, AND HE CALLED FOR REVISING THE CONVENIO ACCORDINGLY. O'BRIEN REPEATED GULF'S WILLINGNESS TO SETTLE DECREE 285 IMMEDIATELY TO COOPERATE WITH THE GOE, AND TOLD SEMBLANTES CONFIDENTIAL

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THAT REVISION OF THE CONVENIO IS TOTALLY UNACCEPTABLE TO GULF.

5. O'BRIEN SAID GULF OFFICES IN CORAL GABLES HAVE REPORTED THAT THE \$100 MILLION LOEB-RHOADES LOAN HAD BEEN FULLY SUBSCRIBED AS OF MARCH 29.

6. O'BRIEN HAS ASKED THE EMBASSY NOT TO TAKE ANY ACTION UNTIL THE SITUATION IS CLARIFIED IN DISCUSSIONS WITH PARODI, SINCE SEMBLANTES MADE VERY VAGUE REQUESTS RE REVISING THE CONVENIO. O'BRIEN HOPES TO MEET WITH PARODI TODAY (MARCH 31) OR TOMORROW.

7. COMMENT: THE NATRES MINISTRY INCREASINGLY GIVES THE IMPRESSION OF BEING HELL-BENT TO PREVENT THE SIGNING OF THE CONVENIO, RAISING EVERY CONCEIVABLE ISSUE--AND SOME INCONCEIVABLE ONES, SUCH AS REVISING THE CONVENIO--TO DO SO. WE WILL REGROUP WITH O'BRIEN AFTER HIS TALK WITH PARODI AND CONSIDER WHETHER THE TIME HAS COME TO

SEEK ACTION FROM THE SUPREME COUNCIL TO BRING THE
NATRES MINISTRY TO HEEL.
BLOOMFIELD

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Sent Date: 31-Mar-1977 12:00:00 am
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Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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